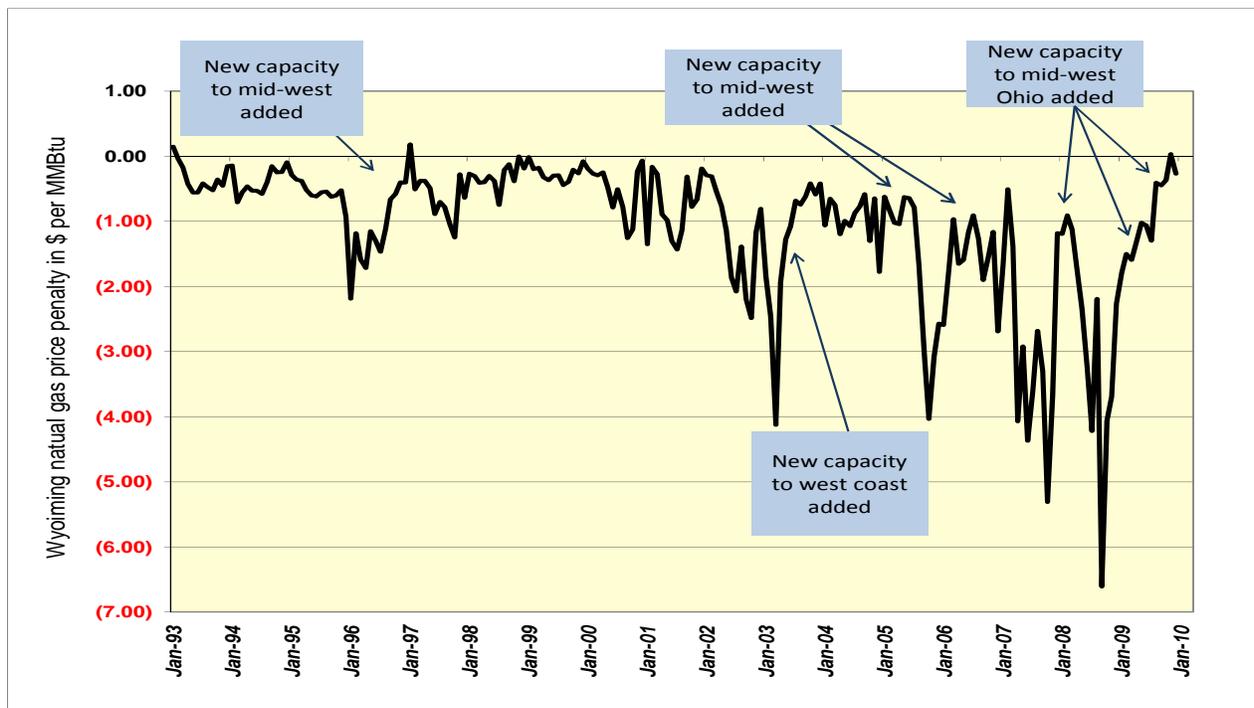


**For the Joint Appropriations Committee
Comments of the Wyoming Pipeline Authority
December 10, 2009**

The Wyoming Pipeline Authority (WPA) is working to protect and enhance the value of oil and natural gas produced in Wyoming. **Better prices for these products yields higher state tax and royalties and healthier state budgets.** The WPA accomplishes this mission principally by working to ensure that adequate pipeline capacity and related infrastructure are in place to move production from Wyoming to higher priced markets.

Adequate natural gas pipeline capacity is the area of greatest focus for the WPA. Wyoming natural gas production has and will continue to grow. Pipeline capacity to carry that production to distant markets must also grow. During periods where production growth has outpaced the growth in pipeline capacity, the price for natural gas in Wyoming has suffered. That price differential penalty gets worse as the pipeline system fills up and abates when capacity is added. The chart below shows the penalty suffered for natural gas produced in Wyoming when compared to the price for gas produced in the US Gulf Coast. Penalties in price relate directly to reduced tax and royalty collections for the State of Wyoming. **A \$1.00 improvement in the annual average price of natural gas in Wyoming is worth approximately \$230 million in additional annual state revenue.** The most important mission of the WPA is to get take away pipeline capacity built promptly to prevent or minimize the price penalties suffered by Wyoming natural gas. Since 2000, the WPA has helped double the amount of pipeline take away capacity available to Wyoming.



Graph: Price penalties on Wyoming natural gas and timing of pipeline capacity additions.

The WPA works for better prices for Wyoming production and higher tax collections by the State of Wyoming by:

- **Advocating** before the Federal Energy Regulatory Commission (FERC) for the timely approval of new natural gas pipelines. In the last two years the WPA has filed supportive comments in the applications for the construction of five separate pipeline projects before the FERC¹.
- **Educating** state regulators in other states why additional pipeline capacity from Wyoming to their state is in their interest. The WPA participated in the California Public Utility Commission hearing process that approved a commitment to pipeline capacity by Pacific Gas & Electric to a new and very large pipeline from Wyoming to the west coast. The WPA has presented the case for relying on dependable Wyoming gas to representatives of nearly every state public utility commission in the western half of the US.
- **Fighting** attempts to push Wyoming natural gas out of existing markets. When a pipeline outside of Wyoming proposed terms and conditions that discriminated against Wyoming production, the WPA successfully attacked the proposal before the FERC².
- **Exposing** attempts to inhibit the free movement of crude oil to markets. **When a refinery in Utah fought a proposed change in crude oil pipeline operations in Wyoming in order to keep Wyoming crude oil captive to Utah, the WPA successfully intervened and helped expose the ploy before the FERC.** This case was an excellent example of how the reputation of the WPA before the FERC aided a compelling argument³.
- **Highlighting** opportunities for producers to participate in pipeline expansions. The WPA conducts at least four public meetings per year. The WPA succeeds in bringing speakers and presentations regarding new projects from every significant proposed pipeline expansions. These meetings are free and open to the public and provide access to materials and discussions that would otherwise require extensive travel for Wyoming residents.
- **Outreach** to educate the citizens of Wyoming of the impact of pipeline infrastructure on Wyoming. In the last 24 months, the WPA has delivered over fifty presentations to the public detailing how infrastructure affects prices, how prices affect tax collections and how the legislature through its support of the WPA is helping Wyoming to get a high value for its energy products exported to the rest of the US.
- **Planning** for the future. The WPA works to anticipate where the next infrastructure bottleneck will arise and harm Wyoming's interests. The WPA is working with the

¹ Kern River, Bison, Ruby, Rockies Express and Cheyenne Plains pipelines

² Northern Natural Gas Pipeline operating in NE, IA, ND, SD, IL, WI, MN attempt to change quality specifications

³ Rocky Mountain Pipeline System operations in SW Wyoming

Wyoming Infrastructure Authority to address an inadequacy in gas fired electric generation that would complement the abundant wind generation possibilities of the state. More natural gas storage capacity is needed to support the intermittent fuel demands of gas fired electric generation that would operate in tandem with intermittent wind generation. **GE has indicated that work done by the WPA has been material to a decision to dedicate internal GE resources to the study of gas fired electric generation opportunities in Wyoming.**

- **Collaborating** within the State. The WPA and the Enhanced Oil Recovery Institute at the University of Wyoming (EORI) have developed a model of an efficient carbon dioxide pipeline system **that would promote the production of an additional 286 million barrels of Wyoming oil which would yield \$3.2 billion in additional taxes and royalties for the state** (based \$70 per barrel oil). One developer of a new carbon dioxide line in Wyoming has identified this work as the reason for enlarging the size of its proposed line to be in a position to respond to these types of future tertiary recovery opportunities.
- **Compiling** a reliable record of what already exists. The WPA maintains a digital database of the natural gas, crude oil, refined products and carbon dioxide pipelines within the state that includes size and type of line as well as location. This data is provided free to agencies within the state such as the Wyoming Geological Survey who use the data to prepare their mapping products.

The WPA conducts its operations efficiently and at low cost. When the WPA's work succeeds in raising the annual price of natural gas in Wyoming by a mere \$0.002 (two tenths of one cent) for one year, the added tax and royalty collections of the State completely offset the WPA's annual operating expense.